

CASS COUNTY TRANSPORTATION AUTHORITY

FINANCIAL STATEMENTS

September 30, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name CASS CO. TRANS. AUTHORITY	County CASS
Fiscal Year End SEPTEMBER 30, 2007	Opinion Date DECEMBER 6, 2007	Date Audit Report Submitted to State January 9, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

SE
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) GERBEL & COMPANY, P.C. CPA'S		Telephone Number 269-983-0534	
Street Address 830 PLEASANT STREET		City ST. JOSEPH	State MI
			Zip 49085
Authorizing CPA Signature <i>Robert L. Gerbel CPA</i>		Printed Name ROBERT L. GERBEL	
		License Number 3953	

CASS COUNTY TRANSPORTATION AUTHORITY

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CASS COUNTY TRANSPORTATION AUTHORITY
Management's Discussion & Analysis

Description of Basic Financial Statements

The Cass County Transportation Authority (the "Authority") is a public transportation authority located in Cass County, Michigan. The Authority uses the accrual basis of accounting. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be a discussion and analysis of the financial results for the fiscal year ending September 30, 2007. The Authority's basic financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets, and statement of cash flows. The basic financial statements also include notes that explain the information recorded in the basic financial statements.

Financial Highlights

The Authority's total expenses were \$559,961 while total revenues were \$609,694 (\$178,466 operating revenue; \$430,977 non-operating revenues; \$261 adjustments).

The Authority's total net assets at September 30, 2007 were \$802,923 of which \$322,754 was invested in fixed assets (land, buildings, buses, shop equipment and office equipment).

The Authority received \$216,267 in state operating assistance. This exceeded the 38.6208% of eligible expenses by \$31,167. This has been recorded as a current year payable. The Authority received \$57,639 in Section 5311 federal operating assistance. This was below the eligible 17.0% by \$23,200. This has been recorded as a receivable for the current year.

Condensed Financial Information

The following condensed financial information provides an overview of the Authority's financial position for the fiscal years ending September 30, 2007 and September 30, 2006.

	<u>September 30, 2007</u>	<u>September 30, 2006</u>
Assets:		
Fixed assets	\$322,754	\$261,731
Other assets	<u>570,620</u>	<u>561,169</u>
Total assets	<u>\$893,374</u>	<u>\$822,900</u>
Liabilities:		
Current liabilities	<u>\$ 90,451</u>	<u>\$ 69,720</u>
Total liabilities	<u>\$ 90,451</u>	<u>\$ 69,720</u>
Net Assets:		
Invested in fixed assets, net of related debt	\$322,754	\$261,731
Unrestricted net assets	<u>480,169</u>	<u>491,449</u>
Total net assets	<u>\$802,923</u>	<u>\$753,180</u>
 Total liabilities & net assets	 <u>\$893,374</u>	 <u>\$822,900</u>

(a) *Net Assets* - Net assets, the difference between assets and liabilities.

(b) *Fixed Assets* – Fixed assets are made up of property, buildings, equipment and buses.

(c) *Other Assets* – Other assets consist of cash, investments, receivables and prepaid expenses.

(d) *Liabilities* – Liabilities consist of accounts payable or bills that the Authority owes payment on. Also included are payments due to the State of Michigan for overpayments of state operating assistance.

Changes in Net Assets

The 2007 fiscal year represents the Authority's nineteenth year in running the County transit program. The table below summarizes the Authority's operations for the September 30, 2007 and 2006 fiscal years.

Revenues:	2007	2006
Operating revenue:		
Fares	\$178,466	\$198,216
Reimbursed Expenses	<u>0</u>	<u>0</u>
Total operating revenues	<u>\$178,466</u>	<u>\$198,216</u>
Nonoperating revenues:		
State grants	\$214,571	\$355,723
Federal grants	192,994	163,182
Interest earned	<u>23,412</u>	<u>17,103</u>
Total nonoperating revenues	<u>\$430,977</u>	<u>\$536,008</u>
Total Revenues	<u>\$ 609,443</u>	<u>\$734,224</u>
Expenses:		
Purchased transportation	\$416,416	\$427,519
Repairs and maintenance	3,747	210
Services	24,392	21,015
Office supplies	124	15
Insurance	33,690	73,695
Other	3,406	1,546
Depreciation	<u>78,186</u>	<u>64,671</u>
Total Expenses	<u>\$ 559,961</u>	<u>\$588,671</u>
Net gain before adjustments	\$ 49,482	\$145,553
Total Adjustments	<u>261</u>	<u>1,550</u>
Net Gain for the year	\$ 49,743	\$147,103
Net assets – Beginning of the year	<u>753,180</u>	<u>606,077</u>
Total net assets – End of the year	<u>\$ 802,923</u>	<u>\$753,180</u>

Summary of Operations

1. Budget:

Expenditures

	MDOT		Difference
	<u>Operating</u>	<u>Audit</u>	<u>Audit vs. Budget</u>
2006-2007	\$ 561,975	\$ 559,961	(\$ 2,014)

Revenues

	<u>MDOT Approved</u>	<u>Audit</u>	<u>Difference Audit vs. Budget</u>
2006-2007	\$ 549,750	\$ 609,443	\$59,693

MDOT approved the above amended budget for the Authority in August 2006. The Authority proposed using \$12,225 in retained earnings to balance the budget.

2. General Report on FY 2007 Operations:

Operation of the Cass County Transportation Authority remained unchanged throughout FY 2007. The Authority's seven member Board met on a monthly basis to set program policy and direction, approve expenditures and monitor activities. The Board contracted with Transportation Management, Inc. (TMI) to provide day-to-day operational services. The Board also continued to contract for administrative oversight services. The County Treasurer provides financial services and the County Clerk takes minutes for the Board's meetings.

Funding composition for the transit service consists of State, Federal and local dollars. Federal operating assistance increased remained at 17%, the State formula operating assistance from MDOT decreased from 39.25 % to 38.62% for FY 2007. Combined state and federal operating is targeted at 52.16% for FY 2008. The significant fare increases implemented by the Authority for FY 2006 and 2007 have continued to help with the required local share.

Total ridership continued to decline. It dropped by 4,822 passengers from 32,258 to 27,436. This is the seventh year in a row ridership has declined. Elderly passengers with disabilities is the only sector that increased. Total days operated was 256. A portion of the decrease in ridership can still be attributed to the planned reduction in vehicle hours that was implemented to assist with balancing the budget.

Operating expenses were higher and revenue was lower in FY 2007. The increase in expenses was primarily in the area of purchased transportation service and fuel. The decrease in revenue was primarily due to the decrease in state operating assistance. Non-operating revenue also decreased because there were no major prior year adjustments. Vehicle hours operated decreased by 882 hours and vehicle miles decreased by 20,139 miles. The cost per vehicle hour of service remained steady.

The Authority is currently in a financially solid position. Their plan for bringing the budget back into balance appears to still be working. Future insurance and fuel costs, decreases in state operating funds and decreasing contract ridership must all be closely monitored to preserve a reasonable amount of retained earnings for unforeseen expenses.

CASS COUNTY TRANSPORTATION AUTHORITY

BOARD MEMBERS

DONALD LYONS	CHAIRPERSON
DR. FRED MATHEWS	VICE CHAIRPERSON
JAMES SAYER	SECRETARY/TREASURER
JOHN MILLER	MEMBER
THOMAS McCAUSLIN	MEMBER
CATHY GOODENOUGH	MEMBER
ARNOLD SHTEN	MEMBER
LINDA IRWIN	CASS COUNTY TREASURER AS TREASURER EX-OFFICIO
BARBARA WILSON	CASS COUNTY CLERK AS CLERK EX-OFFICIO

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

December 6, 2007

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cass County Transportation Authority
Cassopolis, Michigan

Dear Board Members:

We have audited the financial statements of the Cass County Transportation Authority, as of and for the year ended September 30, 2007, as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cass County Transportation Authority as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cass County Transportation Authority's financial statements. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The additional information listed on the table of contents has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Gerbel & Company, P.C.

Right. On time.

CASS COUNTY TRANSPORTATION AUTHORITY
Statement of Net Assets
September 30, 2007

Assets

Current Assets

Cash	\$ 48,259
Investments	478,249
Fares receivable	13,161
Due from State of Michigan - Federal	26,225
Prepaid insurance	<u>4,726</u>

Total Current Assets	\$ <u>570,620</u>
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Noncurrent Assets - NOTE 4

Land	\$ 7,524
Building	357,303
Buses	712,040
Shop equipment	28,946
Office equipment	<u>45,855</u>

Less: Accumulated depreciation	\$ <u>1,151,668</u> <u>828,914</u>
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Total Noncurrent Assets	\$ <u>322,754</u>
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TOTAL ASSETS	\$ <u>893,374</u>
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Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 37,861
Due to State of Michigan - State	<u>52,590</u>

Total Current Liabilities	\$ <u>90,451</u>
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Net Assets

Invested in capital assets, net of related debt	\$ 322,754
Unrestricted net assets	<u>480,169</u>

Total Net Assets	\$ <u>802,923</u>
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TOTAL LIABILITIES AND NET ASSETS	\$ <u>893,374</u>
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CASS COUNTY TRANSPORTATION AUTHORITY
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Year Ended September 30, 2007

Operating Revenue	
Fares	\$ 178,466
Reimbursed expenses	<u>-</u>
Total Operating Revenue	\$ 178,466
Operating Expenses	<u>559,961</u>
Net Operating Loss	\$ <u>(381,495)</u>
Nonoperating Revenues	
Local:	
Interest earned	<u>\$ 23,412</u>
State:	
State of Michigan Grants - State	
Operating assistance - current year	\$ 185,100
Operating assistance - prior year(s)	(517)
State of Michigan Grants - Federal	
Section 5311 assistance - current year	80,839
Section 5311 assistance - prior year(s)	969
State of Michigan Grants - Federal	
capital contributions	111,186
State of Michigan Grants - State	
capital contributions	27,796
State of Michigan Grants - reimbursement	
for seminars, training and expenses	<u>2,192</u>
Total State Nonoperating Revenue	<u>\$ 407,565</u>
Total Nonoperating Revenues	<u>\$ 430,977</u>
Net income before adjustments	\$ 49,482
Sale of fixed assets	<u>261</u>
Net income for the year	\$ 49,743
Net Assets - Beginning of the Year	<u>753,180</u>
NET ASSETS - END OF THE YEAR	<u><u>\$ 802,923</u></u>

The accompanying notes are an integral part of these financial statements.

CASS COUNTY TRANSPORTATION AUTHORITY
Statement of Cash Flows
For the Year Ended September 30, 2007

Cash Flows from Operating Activities:

Receipts from customers	\$ 178,769
Payments to suppliers of goods and services	(456,738)
Payments to contracted employees	<u>(20,250)</u>

Net cash used by operating activities	\$ <u>(298,219)</u>
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Cash Flows from Noncapital Financing Activities:

State and Federal operating assistance	\$ <u>290,027</u>
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Net cash provided by noncapital financing activities	\$ <u>290,027</u>
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Cash Flows from Capital and Related Financing Activities:

Purchase of fixed assets	\$ (139,209)
Contributed capital from State and Federal	135,201
Sale of fixed assets	<u>261</u>

Net cash provided by capital and related financing activities	\$ <u>(3,747)</u>
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Cash Flows from Investing Activities:

Interest	\$ <u>23,412</u>
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Net cash provided by investing activities	\$ <u>23,412</u>
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Net increase in cash	\$ 11,473
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Cash and investments at beginning of year	<u>515,035</u>
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CASH AND INVESTMENTS AT END OF YEAR	<u>\$ 526,508</u>
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Reconciliation of operating income to net cash provided by operating activities:

Operating loss	\$ (381,495)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	78,186
Decrease in receivables-fares	303
Decrease in prepaid insurance	1,259
Increase in accounts payable	<u>3,528</u>

NET CASH FLOWS FROM OPERATIONS	<u>\$ (298,219)</u>
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CASS COUNTY TRANSPORTATION AUTHORITY
Notes to Financial Statements
September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Cass County Transportation Authority is a public body organized as a legal entity pursuant to the "Public Transportation Authority Act" P.A. 196 of the Public Acts of 1986. The Authority was created to coordinate the transportation for human service agencies by Cass County. Services are provided for the County of Cass except for the area covered by the Dowagiac Dial-A-Ride. The Authority has the capability and the authority to provide public transportation to the general public in the area serviced.

Basis of Presentation

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units in the United States. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for governments within the United States. The Authority's reporting entity applies all relevant GASB pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

In accordance with GAAP, the Authority's operations are accounted for as a Business Type Activity. In this regard, the Authority follows the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when they are earned and become measurable, and expenses are recorded when they are incurred, irrespective of when paid.

Operating income reported in the financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principle operating revenues are fares to passengers. Principle operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as nonoperating in the financial statements.

Accounting Pronouncements

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis* (GASB 34). This statement established financial reporting standards for state and local governments including special purpose government such as the Authority. The GASB has followed up on such issues with other related pronouncements designed to clarify the intent of GASB 34.

GASB 34 and its related pronouncements and interpretation require, among other things, that the difference between assets and liabilities be reported as net assets, not equity; that a Management's Discussion and Analysis (MD&A) section precede the financial statements; and that capital assets be capitalized and depreciated over their estimated useful lives.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASS COUNTY TRANSPORTATION AUTHORITY
Notes to Financial Statements
September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fixed Assets and Depreciation

Fixed assets are stated at cost or fair market value at date of gift. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Building	10-20 years
Buses	5-10 years
Shop Equipment	5-10 years
Office Equipment	5-10 years

Depreciation of \$78,186 includes only depreciation of assets purchased with local funds and where the useful life of the asset purchased has been approved by BPT.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Authority considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Operating Assistance Overpayments Payable

Overpayments of \$31,167 and \$13,208 for the years ended September 30, 2007 and 2006 respectively were computed and restated as follows:

	<u>2007</u>	<u>2006</u>
Operating Expenses	\$ 559,961	\$ 588,671
Less:		
Depreciation - current fiscal year	(78,186)	(64,671)
Sale of fixed assets	(261)	(1,550)
Ineligible portion of MPTA dues	(48)	(48)
Seminars and other reimbursements	(2,192)	(799)
	<u>\$ 479,274</u>	<u>\$ 521,603</u>
Eligible operating expenses subject to limitation		
38.6208% for 2007 of eligible operating expenses 39.2545% for 2006	\$ 185,100	\$ 204,753
State revenues received	<u>216,267</u>	<u>217,961</u>
Overpayment from state	<u>\$ (31,167)</u>	<u>\$ (13,208)</u>

CASS COUNTY TRANSPORTATION AUTHORITY
Notes to Financial Statements
September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

	<u>2007</u>	<u>2006</u>
Section 5311 Operating Assistance Receivable (Formerly Section 18)		
Operating Expenses	\$ 559,961	\$ 588,671
Less:		
Depreciation - current fiscal year	(78,186)	(64,671)
Sale of fixed assets	(261)	(1,550)
Audit expense	(3,750)	(3,570)
Ineligible portion of MPTA dues	(48)	(48)
Other reimbursements	<u>(2,192)</u>	<u>(799)</u>
Net expenses	<u>\$ 475,524</u>	<u>\$ 518,033</u>
Reimbursable rate 17% x Net Expenses, not to exceed \$95,196	\$ 80,839	\$ 88,066
Less progress payments	<u>57,639</u>	<u>61,381</u>
Section 5311 underpayment due from State of Michigan - Federal	<u>\$ 23,200</u>	<u>\$ 26,685</u>

NOTE 2 - CASH AND INVESTMENTS

Cash and Short-term Investments - Investment policies for cash and short-term investments as set forth by the Michigan Compiled Laws section 129.91 authorizes the County to invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund.

Long-term Investments - The Authority's investment policy does not address investments other than the short-term investments stated above.

CASS COUNTY TRANSPORTATION AUTHORITY
Notes to Financial Statements
September 30, 2007

NOTE 2 - CASH AND INVESTMENTS - Continued

Interest Rate Risk - The Authority minimizes interest rate risk by investing in short-term highly liquid investments.

As of September 30, 2007, the Authority had the following investments and maturities:

	<u>Fair Market Value</u>	<u>Less Than One Year</u>	<u>One to Three Years</u>	<u>More Than Three Years</u>
Certificates of Deposit	\$ 296,037	\$ 296,037	\$ -	\$ -
Money Market	<u>182,212</u>	<u>182,212</u>	<u>-</u>	<u>-</u>
 Total Investments	 <u>\$ 478,249</u>	 <u>\$ 478,249</u>	 <u>\$ -</u>	 <u>\$ -</u>

Credit Risk - Deposits are carried at cost. Deposits of the Authority are at various banks in the name of the Cass County Treasurer. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Michigan law allows public money to be deposited in financial institutions located in states other than Michigan, as long as the financial institutions have at least one branch in Michigan. The Authority's funds were deposited in three financial institutions that meet these requirements.

Concentration of Credit Risk - The Authority's policy states that with the exception of U.S. Treasury securities and authorized pools, no more than 50% of the total investment portfolio will be invested with a single financial institution.

Custodial Credit Risk - The Treasurer recommends financial institutions based on an evaluation of performance and solvency of the institution, as well as past performance and solvency of the institution. As of June 30, 2007, the Authority's funds were deposited in three institutions that meet this criteria. At year-end the carrying amount of the Authority's deposits was \$526,508 and the respective bank balance totaled \$526,508. None of the total bank balance is considered covered by the Federal Deposit Insurance Corporation (FDIC), as the Authority's funds are jointly invested with the Cass County funds. Only a portion of the overall total investment would be covered by the FDIC, the portion of which that would be attributable to the Authority funds is not determinable.

NOTE 3 - COST ALLOCATIONS

The Transportation Authority has cost allocation plans for all allocated expenses. All allocation plans except for those described in the accompanying schedule of findings and questioned costs, if any, are approved by the Michigan Department of Transportation, Bureau of Urban and Public Transportation, Bus Transit Division. The plans have been adhered to in the preparation of the financial statements.

CASS COUNTY TRANSPORTATION AUTHORITY
Notes to Financial Statements
September 30, 2007

NOTE 4 - CHANGES IN FIXED ASSETS

The following schedule represents the changes in fixed assets of the Cass County Transportation Authority for the year ended September 30, 2007:

	<u>Balance</u> <u>October 31, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>September 30, 2007</u>
Assets not being depreciated:				
Land	\$ 7,524	\$ -	\$ -	\$ 7,524
Other Capital Assets:				
Building	\$ 357,303	\$ -	\$ -	\$ 357,303
Buses	762,935	128,370	(179,265)	712,040
Shop equipment	28,946	-	-	28,946
Office equipment	35,016	10,839	-	45,855
Total Other Capital Assets	\$ 1,184,200	\$ 139,209	\$ (179,265)	\$ 1,144,144
Total Capital Assets	\$ 1,191,724	\$ 139,209	\$ (179,265)	\$ 1,151,668
Accumulated depreciation	(929,993)	(78,186)	179,265	(828,914)
Net fixed assets	\$ 261,731	\$ 61,023	\$ -	\$ 322,754

NOTE 5 - RISK MANAGEMENT

The Transportation Authority participates in a risk pool. The Transportation Authority is responsible for the first \$5,000 per claim and the risk pool will cover up to \$4,000,000 per claim.

NOTE 6 - EXPLANATION OF INELIGIBLE EXPENSES PER THE BPT R&E MANUAL

Any capital money used to pay for operating expenses has been subtracted out as ineligible on OAR Schedule 4E (Nonurban Regular Service Expense Report) and Schedule 5 (Net Eligible Costs Computations of General Operations). Accordingly, expenses associated with account 41398 have been subtracted out as ineligible.

NOTE 7 - NONFINANCIAL DATA

The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

CASS COUNTY TRANSPORTATION AUTHORITY
Schedule of Operating Expenses

	<u>Operations</u>	<u>Maintenance</u>	<u>General and Administrative</u>	<u>Year Ended September 30,</u>	
				<u>2007</u>	<u>2006</u>
Purchased transportation services	\$ 416,416	\$ -	\$ -	\$ 416,416	\$ 427,519
Repairs and maintenance	-	3,747	-	3,747	210
Services:					
Advertising and notices	392	-	-	392	270
Audit	-	-	3,750	3,750	3,570
Coordinator	-	-	20,250	20,250	17,175
Office supplies and expense	-	-	124	124	15
Insurance	33,690	-	-	33,690	73,695
Other:					
Training	-	-	2,192	2,192	343
Other	-	-	1,166	1,166	1,155
Operating expenses ineligible for reimbursement	-	-	48	48	48
Depreciation	-	-	78,186	78,186	64,671
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	\$ 450,498	\$ 3,747	\$ 105,716	\$ 559,961	\$ 588,671

CASS COUNTY TRANSPORTATION AUTHORITY
Net Eligible Costs Computations of General Operations

	<u>Federal Section 5311</u>		<u>Local Operating Assistance</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Operating Expenses:				
Purchased transportation services	\$ 416,416	\$ 427,519	\$ 416,416	\$ 427,519
Repairs and maintenance	3,747	210	3,747	210
Services:				
Advertising and notices	392	270	392	270
Audit	3,750	3,570	3,750	3,570
Coordinator	20,250	17,175	20,250	17,175
Office supplies and expense	124	15	124	15
Insurance	33,690	73,695	33,690	73,695
Other:				
Training	2,192	343	2,192	343
Other	1,166	1,155	1,166	1,155
Operating expenses ineligible for reimbursement	48	48	48	48
Depreciation	<u>78,186</u>	<u>64,671</u>	<u>78,186</u>	<u>64,671</u>
Total Operating Expenses	<u>\$ 559,961</u>	<u>\$ 588,671</u>	<u>\$ 559,961</u>	<u>\$ 588,671</u>
Less: Ineligible Expenses:				
Depreciation - current fiscal year	\$ 78,186	\$ 64,671	\$ 78,186	\$ 64,671
Sale of fixed assets	261	1,550	261	1,550
Audit expense	3,750	3,570	-	-
Seminars and other reimbursements	2,192	799	2,192	799
Portion of association dues	<u>48</u>	<u>48</u>	<u>48</u>	<u>48</u>
Total Ineligible Expenses	<u>\$ 84,437</u>	<u>\$ 70,638</u>	<u>\$ 80,687</u>	<u>\$ 67,068</u>
Net Eligible Expenses	<u>\$ 475,524</u>	<u>\$ 518,033</u>	<u>\$ 479,274</u>	<u>\$ 521,603</u>
State Statutory Operating Assistance:				
38.6208% of eligible operating expenses			\$ 185,100	\$ 204,753
(39.2545% for 2006)				
Federal Section 5311:				
17% of eligible operating expenses	<u>\$ 80,839</u>	<u>\$ 88,066</u>		

CASS COUNTY TRANSPORTATION AUTHORITY
Schedule of Financial Assistance - Federal and State

Federal Grantor/ Pass Through Grantor/Program Title	Federal CFDA Number	Grant No. Authorization Number	Program or Award Amount
Passed Through Michigan Department of Transportation			
Federal Transit Grants			
Capital Grant - Section 5311 (80/20)	20.509	2002-0026/Z8	\$ 63,564
Capital Grant - Section 5309 (80/20)	20.500	2002-0026/Z9	38,872
Capital Grant - Section 5311 (80/20)	20.509	2002-0026/Z4	8,750
Operating Assistance - Section 5311			
FY 2007	20.509	MI-18-X041	95,196
FY 2006	20.509		969
Rural Transit Assistance Program (RTAP)	N/A	N/A	2,192
			<u>\$ 209,543</u>
Michigan Department of Transportation			
Capital Grant - Section 5311 (80/20)	N/A	2002-0026/Z8	\$ 15,891
Capital Grant - Section 5309 (80/20)	N/A	2002-0006/Z9	9,718
Capital Grant - Section 5311 (80/20)	N/A	2002-0026/Z4	2,187
Operating Assistance - Section 5311	N/A	N/A	245,750
			<u>\$ 273,546</u>
 Total Capital Assistance			

<u>Current Year's Expenditures</u>			<u>Prior</u>	<u>Award</u>
<u>Total</u>	<u>Federal</u>	<u>State</u>	<u>Year's</u>	<u>Amount</u>
			<u>Expenditures</u>	<u>Remaining</u>
\$ 63,564	\$ 63,564	\$ -	\$ -	\$ -
38,872	38,872	-	-	-
8,750	8,750	-	-	-
80,839	80,839	-	-	14,357
969	969	-	-	-
2,192	2,192	-	-	-
<u>\$ 195,186</u>	<u>\$ 195,186</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,357</u>
\$ 15,891	\$ -	\$ 15,891	\$ -	\$ -
9,718	-	9,718	-	-
2,187	-	2,187	-	-
184,583	-	184,583	-	61,167
<u>\$ 212,379</u>	<u>\$ -</u>	<u>\$ 212,379</u>	<u>\$ -</u>	<u>\$ 61,167</u>
<u>\$ 407,565</u>	<u>\$ 195,186</u>	<u>\$ 212,379</u>	<u>\$ -</u>	<u>\$ 75,524</u>

CASS COUNTY TRANSPORTATION AUTHORITY
Statement of Local Revenues (Unaudited)
For the Year Ended September 30, 2007

Farebox	\$ 25,697
Contract fares	152,769
Interest earned	23,412
Sale of fixed assets	<u>261</u>
Total	<u>\$ 202,139</u>

CASS COUNTY TRANSPORTATION AUTHORITY
Operating and Contract Expenses (Unaudited)
For the Year Ended September 30, 2007

<u>Expenses</u>	<u>Urban</u>	<u>Nonurban</u>	<u>Specialized Services</u>	<u>Another Operating Contract</u>	<u>Total</u>
Labor	\$ -	\$ 249,616	\$ -	\$ -	\$ 249,616
Fringe benefits	-	53,893	-	-	53,893
Services	-	58,891	-	-	58,891
Materials and supplies	-	67,579	-	-	67,579
Utilities	-	10,267	-	-	10,267
Insurance	-	35,338	-	-	35,338
Taxes and fees	-	116	-	-	116
Miscellaneous	-	6,075	-	-	6,075
Depreciation	-	78,186	-	-	78,186
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	\$ -	\$ 559,961	\$ -	\$ -	\$ 559,961

CASS COUNTY TRANSPORTATION AUTHORITY
Nonurban Regular Service Revenue Report (Unaudited)
For the Year Ended September 30, 2007

<u>Code</u>	<u>Description</u>	<u>Amount</u>
401:	Farebox Revenue	
40100	Passenger Fares	\$ 25,697
40200	Contract Fares	152,769
407:	Non Trans Revenue	
40760	Gains from the Sale of Capital Assets	261
411:	State Formula and Contracts	
41101	State Operating Assistance	184,583
413:	Federal Contracts	
41302	Federal Section 5311	81,808
41398	RTAP	2,192
414:	Other Revenue	
41400	Interest Income	<u>23,412</u>
	Total	<u>\$ 470,722</u>

CASS COUNTY TRANSPORTATION AUTHORITY
Nonurban Regular Service Expense Report (Unaudited)
For the Year Ended September 30, 2007

<u>Code</u>	<u>Description</u>	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Amount</u>
501: Labor					
50101	Operator's Salaries and Wages	\$ 175,733	\$ -	\$ -	\$ 175,733
50102	Other Salaries and Wages	5,002	28,702	11,238	44,942
50103	Dispatchers' Salaries and Wages	28,941	-	-	28,941
502: Fringe Benefits					
50200	Other Fringe Benefits	45,116	6,382	2,395	53,893
503: Services					
50302	Advertising Costs	99	-	450	549
50305	Audit Costs	-	-	3,750	3,750
50399	Other Services	150	23,997	30,445	54,592
504: Materials and Supplies					
50401	Fuel and Lubricants	57,769	-	-	57,769
50402	Tires and Tubes	1,297	-	-	1,297
50404	Major Supplies	-	-	-	-
50499	Other Materials and Supplies	3,829	426	4,258	8,513
505: Utilities					
50500	Utilities	-	-	10,267	10,267
506: Insurance					
50603	Liability Insurance	31,426	-	-	31,426
50699	Other Insurance	-	-	3,912	3,912
507: Taxes and Fees					
50700	Taxes and Fees	116	-	-	116
509: Miscellaneous Expenses					
50902	Travel, Meetings and Training	1,440	1,647	1,649	4,736
50903	Association Dues and Subscriptions	-	-	730	730
50999	Other Miscellaneous Expenses	-	-	609	609
	Total Expenses				<u>\$ 481,775</u>
550: Ineligible Expenses					
55008	Other Ineligible Expenses	-	-	261	\$ 261
55009	Ineligible Percent of Association Dues	-	-	48	48
574: Ineligible Expenses					
57402	Ineligible RTAP	660	744	788	<u>2,192</u>
	Total Ineligible Expenses				<u>\$ 2,501</u>
	Total Eligible Expenses				<u>\$ 479,274</u>

CASS COUNTY TRANSPORTATION AUTHORITY
Schedule of Mileage Data (Unaudited)

<u>Demand - Response</u>	<u>Public Transportation Mileage</u>	
	<u>Year Ended</u>	
	<u>September 30,</u>	
	<u>2007</u>	<u>2006</u>
First quarter ended December 31, 2006	53,889	64,123
Second quarter ended March 31, 2007	57,583	68,566
Third quarter ended June 30, 2007	63,388	65,281
Fourth quarter ended September 30, 2007	<u>61,930</u>	<u>58,959</u>
	<u>236,790</u>	<u>256,929</u>

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

December 6, 2007

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Cass County Transportation Authority
Cassopolis, Michigan

We have audited the financial statements of Cass County Transportation Authority, as of and for the year ended September 30, 2007, which collectively comprise the Cass County Transportation Authority's basic financial statements and have issued our report thereon dated December 6, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards** issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Right. On time.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* - Continued**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under **Government Auditing Standards**.

We noted certain matters to management of the Authority, in a separate letter dated December 6, 2007.

This report is intended solely for the information and use of management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Beibel & Company, P.C.

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

December 6, 2007

Members of the Transportation Authority Board
Cass County Transportation Authority
Cass County, Michigan

In connection with our examination of the books and records of Cass County Transportation Authority for the year ended September 30, 2007, we offer the following comments and recommendations.

GENERAL

1. Supporting documentation was detailed and readily available for inspection.
2. The Authority's administration displayed a high level of dedication and cooperation in performing their duties and assisting us in completing ours.
3. We recommend allocating information posted to the general ledger in the same manner as OAR report.

We appreciate the courtesy and cooperation extended to us by Cass County Transportation Authority. If we can be of any assistance in implementing any of these suggestions, or if you have any questions regarding these or any other matters, please feel free to contact us.

Very truly yours,

Gerbel & Company, P.C.

GERBEL & COMPANY, P.C.
Certified Public Accountants

Right. On time.

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